

# Funding Issues List

Agency: CCA Corporation Commission

FY 2017

Priority	Funding Issue Title	Category	Total FTE	Total Amount	General Fund	Other Funds	Non-App Funds
1	Hearing Room 1 HVAC Upgrade	Decision Pack	0.0	50.0	0.0	50.0	0.0
1	Baseline Increased Risk Management Funding	Decision Pack	0.0	77.0	45.0	32.0	0.0
1	Corporations Division Database Automation Upgrade	Decision Pack	0.0	2,000.0	0.0	2,000.0	0.0
1	Securities Division Investigator Pay Parity	Decision Pack	0.0	250.0	0.0	250.0	0.0
<b>Total:</b>			0.0	2,377.0	45.0	2,332.0	0.0
<b>Decision Package Total:</b>			0.0	2,377.0	45.0	2,332.0	0.0

# Funding Issue Detail

Agency: CCA Corporation Commission

Issue: 1 Hearing Room 1 HVAC Upgrade

Issue Category: Decision Package

**Justification:** The main Hearing Room was constructed during FY 2013 to provide the Commission with a larger space to conduct its Open Meetings and to accommodate more people in cases with high public interest. The additional hearing room also allows the Commission to conduct more hearings concurrently. The Commission did not have the benefit of knowing the environmental constraints the existing and current HVAC system would have on the space redesign and build out of the new Hearing Room at that time. Since then, after numerous hearings and open meetings, the HVAC system is woefully insufficient for the space, and uncomfortable to meeting attendees and participants. The Commission requests additional funding from its URRF and SRF funds to enable ADOA to upgrade the HVAC system in this space.

Program: 2-1 Hearings  
Fund: 2172-A Utility Regulation Revolving (Appropriated)

Calculated ERE: \$0.00  
Uniform Allowance: \$0.00

**Justification:**

Expenditure Categories	FY 2017
FTE	0.0
Personal Services	0.0
Employee Related Expenses	0.0
<b>Subtotal Personal Services and ERE:</b>	<b>0.0</b>
Professional & Outside Services	0.0
Travel In-State	0.0
Travel Out-of-State	0.0
Food (Library for Universities)	0.0
Aid to Organizations & Individuals	0.0
Other Operating Expenditures	0.0
Equipment	0.0
Capital Outlay	0.0
Debt Services	0.0
Cost Allocation	0.0
Transfers	35.0
<b>Program / Fund Total:</b>	<b>35.0</b>

Program: 2-1 Hearings  
Fund: 2264-A Securities Regulatory & Enforcement (Appropriated)

Calculated ERE: \$0.00  
Uniform Allowance: \$0.00

**Justification:**

Expenditure Categories	FY 2017
FTE	0.0
Personal Services	0.0
Employee Related Expenses	0.0
<b>Subtotal Personal Services and ERE:</b>	<b>0.0</b>
Professional & Outside Services	0.0
Travel In-State	0.0
Travel Out-of-State	0.0
Food (Library for Universities)	0.0
Aid to Organizations & Individuals	0.0
Other Operating Expenditures	0.0
Equipment	0.0
Capital Outlay	0.0
Debt Services	0.0
Cost Allocation	0.0
Transfers	15.0
<b>Program / Fund Total:</b>	<b>15.0</b>

**AGENCY NAME & AFIS CODE: ARIZONA CORPORATION COMMISSION CCA**

**COST CENTER/PROGRAM NAME: ( DIVISION )**

**BUDGET JUSTIFICATION**

**ISSUE: HVAC UPGRADE OR REPLACEMENT**

**PROBLEM:**

The main Hearing Room at 1200 W. Washington was constructed during FY2013 to provide the Commission with a larger space to conduct its Open Meetings and to accommodate more people attending highly visible rate hearings. At the time of construction it was deemed cost prohibitive for ADOA to upgrade the HVAC, given the limited budget approved for the Hearing Room construction. The new Hearing Room has proven to have some serious constraints in the existing HVAC system. During large meetings it is impossible to maintain a comfortable temperature in the room often rising to the mid 80 degree temperature range. After numerous hearings, open meetings and special events, it has become apparent that the HVAC system is woefully insufficient for the space making it uncomfortable for both meeting attendees and participants.

**PROPOSED SOLUTION:**

It has been determined that an upgrade to the current system is necessary in order to relieve and remedy the situation. The Commission requests additional funding from its URRF and SRF funds to enable ADOA to upgrade the HVAC system in this space. The Commission has requested information from ADOA in order to adequately address the approximate cost of this upgrade. As such, we have tentatively estimated \$50,000 as a placeholder, subject to more finely detailed reports from ADOA regarding the necessary costs for upgrading the HVAC for this facility.

**PERFORMANCE MEASURES TO QUANTIFY SUCCESS OF SOLUTION:**

Once upgraded the room will be able to maintain an OSHA approved range of between 68 and 76 degrees.

**ALTERNATIVES AND REASONS FOR REJECTION:**

Other options are to provide multiple portable fans stationed throughout the hearing room. This has proven to not only be ineffective in cooling the room, but is also quite noisy and disruptive to the meetings.

An alternative is to relocate large meetings to other court rooms throughout the Capital Mall, leading to scheduling difficulties and transporting the number of state employees and interested parties to other locations that are capable of broadcasting the public

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**COST CENTER/PROGRAM NAME: ( DIVISION )**

**BUDGET JUSTIFICATION**

**ISSUE: HVAC UPGRADE OR REPLACEMENT**

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proceedings via audio and video transmission. It is not known what local court rooms have the capacity to hold 100+ persons and provide state of the art broadcast transmission capabilities that are also available on a short term basis.

**IMPACT OF NOT FUNDING IN FY 2017**

If not funded, the Commission will be unable to utilize the main Hearing Room for large cases during the season in which temperatures rise above the ability to maintain comfort for all participants.

**STATUTORY REFERENCE**

A.R.S. Title 40, Chapter 2, Article 3

**FUNDING SOURCE**

FUND 2172 URRF and FUND 2264 SREF

## Funding Issue Detail

Agency: CCA Corporation Commission

Issue: 1 Baseline Increased Risk Management Funding

Issue Category: Decision Package

**Justification:** For FY 2016 and FY 2017, the Risk Management increased charges referenced in the approved budget as published by the JLBC did not also receive a corresponding increase in appropriation. For the Commission, this resulted in additional \$77K in costs which were not planned for. As one portion of the increase involved a railway incident, the funding for the RM charges should come from GF as the program is funded by GF. The second part of the increase involves a claim stemming from a securities fraud case and should be assessed to the SRF.

Program: 4-1 Securities  
Fund: 2264-A Securities Regulatory & Enforcement (Appropriated)

Calculated ERE: \$0.00  
Uniform Allowance: \$0.00

**Justification:**

Expenditure Categories	FY 2017
FTE	0.0
Personal Services	0.0
Employee Related Expenses	0.0
<b>Subtotal Personal Services and ERE:</b>	<b>0.0</b>
Professional & Outside Services	0.0
Travel In-State	0.0
Travel Out-of-State	0.0
Food (Library for Universities)	0.0
Aid to Organizations & Individuals	0.0
Other Operating Expenditures	32.0
Equipment	0.0
Capital Outlay	0.0
Debt Services	0.0
Cost Allocation	0.0
Transfers	0.0
<b>Program / Fund Total:</b>	<b>32.0</b>

Program: 5-1 Railroad Safety  
Fund: 1000-A General Fund (Appropriated)

Calculated ERE: \$0.00  
Uniform Allowance: \$0.00

**Justification:**

Expenditure Categories	FY 2017
FTE	0.0
Personal Services	0.0
Employee Related Expenses	0.0
<b>Subtotal Personal Services and ERE:</b>	<b>0.0</b>
Professional & Outside Services	0.0
Travel In-State	0.0
Travel Out-of-State	0.0
Food (Library for Universities)	0.0
Aid to Organizations & Individuals	0.0
Other Operating Expenditures	45.0
Equipment	0.0
Capital Outlay	0.0
Debt Services	0.0
Cost Allocation	0.0
Transfers	0.0
<b>Program / Fund Total:</b>	<b>45.0</b>

## Funding Issue Detail

Agency: **CCA Corporation Commission**

Issue: **1 Corporations Division Database Automation Upgrade**

Issue Category: **Decision Package**

**Justification:** The Commission currently maintains a searchable database with limited functionality that uses software that is no longer supported. The Commission wants to provide businesses the convenience to file and pay for any document electronically. While not every state has electronic filing of corporate documents, the states that try to attract business formation do offer this modern convenience (e.g. Delaware, Nevada). For Arizona to compete with these other states, the Commission needs to have an upgraded system so we can electronically receive documents and payments, electronically examine and transmit correspondence and documents, and maintain the documents and entity record in a searchable database. In 2014, the Commission issued an RFP to solicit proposals from qualified vendors for such a system. However, the Commission did not receive funding for this project in the FY2016 budget and the RFP was cancelled.

**Program:** 3-1 Corporations  
**Fund:** 2333-A Public Access Fund (Appropriated)

**Calculated ERE:** \$0.00  
**Uniform Allowance:** \$0.00

**Justification:**

Expenditure Categories	FY 2017
FTE	0.0
Personal Services	0.0
Employee Related Expenses	0.0
<b>Subtotal Personal Services and ERE:</b>	<b>0.0</b>
Professional & Outside Services	0.0
Travel In-State	0.0
Travel Out-of-State	0.0
Food (Library for Universities)	0.0
Aid to Organizations & Individuals	0.0
Other Operating Expenditures	2,000.0
Equipment	0.0
Capital Outlay	0.0
Debt Services	0.0
Cost Allocation	0.0
Transfers	0.0
<b>Program / Fund Total:</b>	<b>2,000.0</b>

**AGENCY NAME & AFIS CODE: ARIZONA CORPORATION COMMISSION CCA**

**COST CENTER/PROGRAM NAME: CORPORATIONS DIVISION**

**BUDGET JUSTIFICATION**

**ISSUE: REPLACEMENT OF LEGACY DATABASE SYSTEMS**

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**PROBLEM:**

The Arizona Corporation Commission Corporations Division (“Division”) relies upon two legacy databases to accomplish its work. The main entity record database is known as STARPAS, and was developed by internal staff in the mid-1990s using what is now an unsupported version of an uncommonly used computer programming language called Progress. The separate document imaging database software is known as Docuware. The Division is tasked with maintaining all corporation and limited liability company records, and, by statute, must make those records available to the public via the internet. The main entity record database (STARPAS) is more than 20 years old, requires constant maintenance, and cannot easily or adequately be expanded to provide comprehensive, secure, online features and mobile applications for the public. STARPAS does not currently accommodate the processing of all document types within the automated work queue (these have to be distributed and processed manually). STARPAS cannot easily or quickly be updated to accommodate changes in the law, for example, to create a new entity type or a new filing fee. In addition, the document imaging software that is compatible with that legacy system is a version no longer supported by the vendor and upgrading will require significant effort. Management is required to compile and report statistical and staff performance data manually in many cases due to undeveloped reporting capabilities within both database systems. Both systems have severely limited functionality compared with today’s technology solutions that provide for secure online transactions and mobile applications. .

**PROPOSED SOLUTION:**

The proposed solution is to hire a vendor through the State procurement process to provide a highly-configurable and complete replacement of the legacy database and imaging systems, which would include a fully integrated imaging and accounting component, plus secure online features that allow the public to submit all document types and payments online or through mobile devices. Staff will be able to process all document types from an automated work queue that tracks the progress of the document through the examination process. Electronic document and payment submission provides an essential convenience to the public, will assist in reducing the rejection rate for errors, and will ultimately decrease examination time, thereby making the Division processes more efficient. The fully integrated accounting portion of the Solution will provide an improved audit trail, receipting, and reconciliation of monies received, which revenue averages 26 million annually. Comprehensive reporting capabilities will enhance the ability of management to monitor staff performance and mission critical metrics. The estimated cost of the replacement system is approximately 2 million dollars.

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**BUDGET JUSTIFICATION**

**ISSUE: REPLACEMENT OF LEGACY DATABASE SYSTEMS**

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**PERFORMANCE MEASURES TO QUANTIFY SUCCESS OF SOLUTION:**

Success can be measured by the following criteria:

- Implementation of a fully functional database/imaging/accounting system for corporation and LLC records, which includes online features allowing the public to securely submit documents and payments online or through mobile devices.

**ALTERNATIVES AND REASONS FOR REJECTION:**

One alternative is to continue to use the legacy systems. This alternative is not recommended. The existing systems are outdated and cannot easily be updated through configuration but instead require continual code development to keep up with existing or emerging technological advances such as secure online submission of documents and payments. Additionally, it requires a significant amount of internal IT staff time and effort to maintain and extend the existing functionality of the old systems. STARPAS is maintained on an unsupported version of Windows server, which may have some risk involved in upgrading.

Another alternative is to use internal IT staff to create a new system. This alternative is not recommended. Existing internal IT are currently already tasked with a multi-year re-write of the Corporation Commission's e-Docket system to modernize it into an enterprise software system over the next 2-3 years. There is not enough staff to also develop the Corporation system replacement with the advanced features desired, within this same timeframe.

A third alternative is to stagger improvements over a period of time. This alternative will take longer than replacing with a customizable off-the-shelf solution and is not recommended due to time required. The existing STARPAS system can have a more modern front-end solution developed on top of it, with a trade-off of performance time, and the database will then be required to be migrated to more modern technologies. Advanced features can then be built. In addition, the document images in the currently separate imaging database must be migrated to any new system *en masse*, and not on a piecemeal basis. This would be expected to take twice the time of a purchased solution.

**IMPACT OF NOT FUNDING IN FY 2017**

If the replacement system is not implemented in FY2017, the risk of the existing system failing to meet future needs continues to grow. The Arizona Corporation Commission will not be able to easily accommodate legislative changes pertaining to corporations



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**BUDGET JUSTIFICATION**

**ISSUE: REPLACEMENT OF LEGACY DATABASE SYSTEMS**

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and LLCs in a timely manner. The public will continue to be limited in their ability to submit documents and payments online, thereby increasing the difficulty of forming new businesses in Arizona.

**STATUTORY REFERENCE**      A.R.S. Title 41, Chapter 1, Article 2.1

## Funding Issue Detail

Agency: CCA Corporation Commission

Issue: 1 Securities Division Investigator Pay Parity

Issue Category: Decision Package

**Justification:** The Securities Division continues to have difficulty retaining Investigators while other state and local government entities provide higher pay for the same or similar positions. This salary parity will help the Commission and the Division to retain and maintain Investigators at comparable levels in State and local government service.

Program: 4-1 Securities  
Fund: 2264-A Securities Regulatory & Enforcement (Appropriated)

Calculated ERE: \$34.90  
Uniform Allowance: \$0.00

**Justification:**

Expenditure Categories	FY 2017
FTE	0.0
Personal Services	180.0
Employee Related Expenses	70.0
<b>Subtotal Personal Services and ERE:</b>	<b>250.0</b>
Professional & Outside Services	0.0
Travel In-State	0.0
Travel Out-of-State	0.0
Food (Library for Universities)	0.0
Aid to Organizations & Individuals	0.0
Other Operating Expenditures	0.0
Equipment	0.0
Capital Outlay	0.0
Debt Services	0.0
Cost Allocation	0.0
Transfers	0.0
<b>Program / Fund Total:</b>	<b>250.0</b>

**AGENCY NAME & AFIS CODE: ARIZONA CORPORATION COMMISSION CCA**

**COST CENTER/PROGRAM NAME: SECURITIES DIVISION**

**BUDGET JUSTIFICATION**

**ISSUE: FUNDING OF SALARY INCREASE FOR CHIEF INVESTIGATOR AND INVESTIGATOR POSITIONS**

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**PROBLEM:**

The Arizona Corporation Commission Securities Division (“Division”) has nine investigator positions in its Enforcement Section, one of which is a Chief Investigator. Currently all but one position is filled by an Arizona Police Office Standards and Training Board (“AZPOST”) certified police officer. Division investigators investigate allegations of securities violations, prepare cases for hearing, and assist prosecutors in indicting and trying criminal cases. Each investigator handles approximately nine open investigations. Those investigations result in orders requiring wrongdoers to pay restitution to victims and penalties to the State.

Over the last four fiscal years, the Division has lost 11 investigators, an employee turnover rate of 116%. The primary reason given for leaving has been salary. The Division’s salary for starting investigators is \$47,000. Other agencies and police departments pay their officers substantially more. For example, the Attorney General’s Office is currently offering \$68,000 to investigators, \$20,000 more than the Division. The Maricopa County Attorney’s Office is offering between \$55,224 to \$78,811, \$8,000 to \$30,000 more than the Division. The Division’s investigators are also considered particularly desired by these agencies as not only do they have general investigative experience, but they are also highly trained in white collar investigations, particularly financial crimes. Even valley police departments are paying new police officers, with no experience, more than the Division pays its experienced investigators. In FY14, it took the Division an average of three months to fill vacant positions. Since very few police officers have backgrounds in investigating financial crimes, once filled it takes substantial time to train the new investigator. With the economy improving and police forces now hiring after a long period of limited hiring, the Division expects turnover to increase in the future. If that does occur, the Division’s ability to investigate and prosecute financial fraud in Arizona will be substantially hampered.

**PROPOSED SOLUTION:**

The Division seeks funding in the amount of \$250,000 (salary and ERE) from the Securities Regulatory and Enforcement Fund (Fund 2264) to fund pay increases for eight investigator positions and one Chief Investigative position. That would allow the Division to increase salaries to approximately \$68,000 which would match the Attorney General’s Office.

**PERFORMANCE MEASURES TO QUANTIFY SUCCESS OF SOLUTION:**

The Division expects investigator turnover to decrease by at least 50%.

COST CENTER/PROGRAM NAME: SECURITIES DIVISION

**BUDGET JUSTIFICATION**

**ISSUE: FUNDING OF SALARY INCREASE FOR CHIEF INVESTIGATOR AND INVESTIGATOR POSITIONS**

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In the timeframe of FY10 to FY13, the average investigative load was 9.2 investigations. The average number of administrative cases filed was 3.3. Since the average position is open 95 days, and the time taken to train a new investigator is between six months to a year, the Division expects to increase the matters to be investigated over the previous fiscal year, with additional administrative cases to be filed each fiscal year. In the average year, for each investigator, \$10,428,000 was awarded as restitution to victims of the wrongdoer with an average award of \$454,000 in penalties to go to the General Fund. Therefore, it is expected that restitution awarded to victims and General Fund receipts would significantly increase as a result of decreasing turnover. Additionally, as each investigator assists criminal prosecutors with the prosecution of financial fraud cases, the Division expects that additional white collar indictments would result.

**ALTERNATIVES AND REASONS FOR REJECTION:**

1. Do not fill the positions of investigators who leave and use savings to increase pay of remaining investigators. As the number of investigators decreases, the result will be less investigations and cases handled by the Division, with resulting increased losses by Arizona investors.
2. Keep pay levels the same. Expected result is that investigator turnover will increase as other agencies increase level of hiring. Result will be less investigations and cases handled by the Division, with resulting increased losses by Arizona investors.

**IMPACT OF NOT FUNDING IN FY 2015:**

Failing to fund this year would lead turnover remaining high or increasing, leading to postponement of investigations and filing of cases. Therefore, at least some victims of securities violations would lose the potential benefit of restitution of help cover their losses while the State would lose a potential increase in General Fund revenues.

**STATUTORY REFERENCE:** A.R.S. § 44-1813

**COST SUMMARY (in thousands):** \$250

# Summary of Expenditure and Budget Request for All Funds

Agency: CCA Corporation Commission

**Appropriated**

Cost Center/Program:	FY 2015 Actual	FY 2016 Expd. Plan	FY 2017 Fund. Issue	FY 2017 Total
1 Administration	3,417.7	3,252.2	0.0	3,252.2
2 Hearings	2,242.3	2,350.0	50.0	2,400.0
3 Corporations	3,812.7	4,068.7	2,000.0	6,068.7
4 Securities	4,421.2	4,603.0	282.0	4,885.0
5 Railroad Safety	647.1	660.0	45.0	705.0
6 Pipeline Safety	912.6	890.0	0.0	890.0
7 Utilities	5,599.8	5,995.0	0.0	5,995.0
8 Legal	1,938.6	1,940.0	0.0	1,940.0
9 Information Technology	2,455.8	2,679.4	0.0	2,679.4
10 Broadcasting Services	419.3	540.0	0.0	540.0
	25,867.1	26,978.3	2,377.0	29,355.3
<b>Expenditure Categories</b>				
FTE	300.9	300.9	0.0	300.9
Personal Services	15,681.8	16,675.0	180.0	16,855.0
Employee Related Expenses	6,154.9	6,330.8	70.0	6,400.8
Professional and Outside Services	473.8	744.0	0.0	744.0
Travel In-State	121.1	168.8	0.0	168.8
Travel Out of State	114.8	87.0	0.0	87.0
Food (Library for Universities)	0.0	0.0	0.0	0.0
Aid to Organizations and Individuals	0.0	0.0	0.0	0.0
Other Operating Expenses	2,877.3	2,771.2	2,077.0	4,848.2
Equipment	374.5	201.5	0.0	201.5
Capital Outlay	0.0	0.0	0.0	0.0
Debt Service	0.0	0.0	0.0	0.0
Cost Allocation	0.0	0.0	0.0	0.0
Transfers	68.9	0.0	50.0	50.0
<b>Expenditure Categories Total:</b>	25,867.1	26,978.3	2,377.0	29,355.3